Center for Global Development

— CONSULTATION DRAFT —

Europe Beyond Aid: The Role of European Countries in Fostering Development through International Investment

Iliana Olivié and Aitor Pérez*

Abstract

Foreign investment is an important source of external financing for the global South. Europe accounts for over 60 percent of world net foreign direct investment outflows. Hence, the way European countries and the European Union commit to development through international investment can make an important difference for developing countries. Support investment has been assessed by the Commitment to Development Index (CDI) since 2004. Based on European countries' performance on the CDI this working paper explores the role of Europe as a global development player through investment. We start by analyzing quantitatively (Section 1) and qualitatively (Section 2) the relevance of international investment for the developing world. Section 3 analyzes the performance of European countries, EU member states, and the EU as a whole in the CDI's investment component. In order to draw policy recommendations from the previous analyses, section 4 identifies targets based on the current distribution of investment competencies in the EU. Conclusions and policy recommendations are finally stated in section 5.

*Senior analyst and associate analyst, respectively, at Elcano Royal Institute. Iliana Olivié is also professor at Complutense University of Madrid. Authors gratefully acknowledge research assistance by Mehda Raj, and useful inputs from Zdenka Dobiasova, Norbert Probst and Carlos Bermejo (European Commission), Piotr Olszowski (European Parliament) and Cristina Serrano (Spanish Permanent Representation to the EU).

Europe Beyond Aid Consultation Report Series

Europe Beyond Aid uses the Commitment to Development Index (CDI) to examine European countries' collective commitment to development on seven cross-border issues: aid, trade, finance, migration, environment, security, and technology.

We calculate a consolidated score for the 21 European countries included in the CDI to track their pursuit of development-friendly policies. In 2014 the Center for Global Development is launching a series of discussion papers for public consultation. Our goal is to press for a broader and more informed discussion about how European policies can improve. By the end of the year, we will synthesize the expert consensus on the seven themes of the CDI into a comprehensive and specific policy agenda for European countries setting out practical, evidence-based conclusions on how they can improve their policies which affect development and global poverty.

Please, share your comments, suggestions and ideas by email to pkrylova@cgdev.org. We will be looking forward to hearing from you.

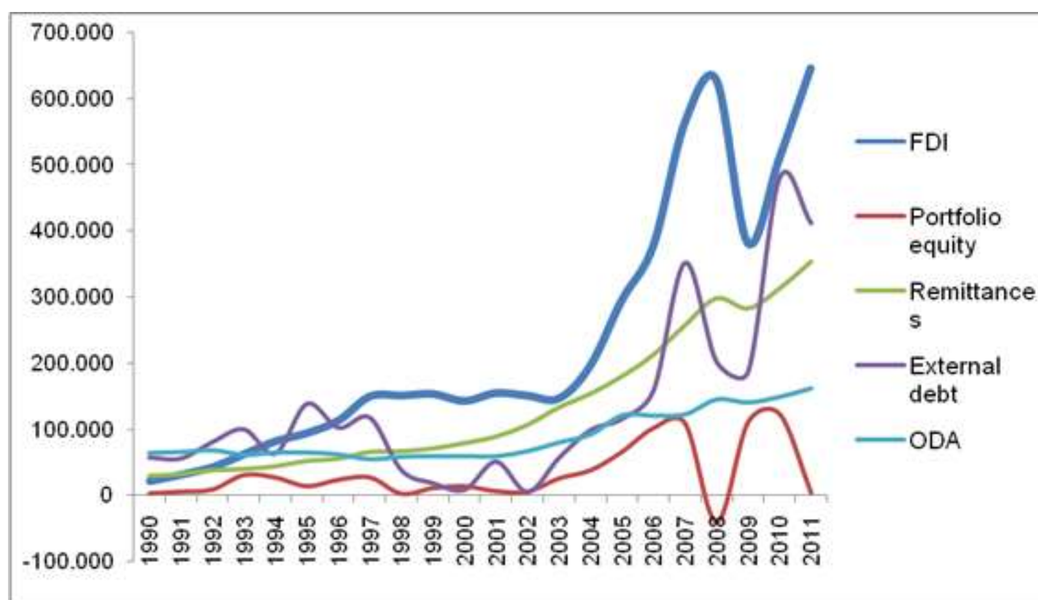
1. What does foreign investment mean for developing countries?

Foreign investment is the largest source of external financing for developing countries

The current process of economic globalization has been well documented and extensively analyzed —see, for example, Stiglitz (2002) or Rodrik (2011). This is manifested in all areas of economic activity, including trade, migrants' remittances, and financial and productive investments. One of the initial phases of this process was the international productive relocation that started in the 1970s, which led to an important increase of transnational flows, and therefore stocks of foreign direct investment (FDI). A few years later, this was followed by an explosion of international financial flows of all kinds, such as portfolio investment (PI), credits and loans and derivatives. The lion's share of foreign investment (FI) —comprised of FDI and PI— is both sent by and hosted in developed, post-industrial economies. The 1990s, however, saw an increasing proportion of FI located in emerging and developing economies. More recently, a portion of world's FDI appears to be channeled from emerging economies via emerging transnational companies (TNCs).

As a result of globalization and despite the concentration of economic activity among developed countries, diverse sources of external financing to developing countries have steadily increased over the last few decades (figure 1). Growth rates have obviously varied from one financial instrument to another in different periods of time. By the end of the Cold War, official development assistance (ODA) was a key element of economic relations between rich and poor countries, followed by external debt, migrants' remittances and, lastly, FDI and portfolio equity.

Figure 1. Global finance for development (net inflows in millions of current US$ to low and middle income countries)



Source: World Bank (2013); OECD (2013)
Note: ODA figures reflect net flows of ODA channeled to developing countries, according to OECD DAC[1] aid recipients list.

However, several balance-of-payments crises in developing and emerging economies—including the Tequila effect of 1994, the Asian financial crisis of 1997, the Argentinian crisis of 2000, and the ongoing Great Recession—have taken their toll. Two decades later, financial flows—namely portfolio equity and external debt—have slowed down while FDI and migrants' remittances have proven to be more resilient. As for ODA, despite the Millennium Development Goals (MDGs)

1 DAC – Development Assistance Committee

momentum in the early 2000s, international assistance has strongly lost weight in relation to other types of financing for emerging and developing countries.

Nearly all developing regions host an increasing share of foreign investment

Developing countries now host a greater volume and share of world FI inflows than two decades ago. Net inflows have increased from an average of little less than 19 percent of total annual investments during the 1990 through 1999 period to more than 21 percent between 2000 and 2011 (Table 1).

Table 1. Regional distribution of foreign investment net inflows in developing countries (% of world total net inflows)

	1990-99	2000-11
East Asia & Pacific	7.67	8.85
Europe & Central Asia	1.26	3.21
Latin America & Caribbean	7.61	4.94
Middle East & North Africa	0.36	1.03
South Asia	0.75	1.64
Sub-Saharan Africa	1.30	1.49
% developing countries / world	18.94	21.16

Source: World Bank (2013)

Despite the existence of well-know outliers—namely China— all developing regions have benefited from this increase. According to figures by the United Nations Conference of Trade and Development (UNCTAD), 49 percent of global FDI inflows to developing countries were hosted by East and South-East Asian economies in 2011. However, developing countries in Europe and Central Asia have managed to absorb 3.21 percent of net FI inflows during the last decade, up from 1.26 percent in the 1990s. During this same period, a similar pattern emerged in other developing regions. The Middle East and North Africa experienced an increase from 0.36 percent to 1.03 percent, South Asia from 0.75 percent to 1.64 percent and even Sub-Saharan Africa from 1.30 percent to 1.49 percent. In fact, the only developing region that lost FI share is Latin America and the Caribbean, decreasing from 7.61 percent to 4.94 percent.

In a few words, (i) FI has become the first source of external financing for developing and emerging economies; (ii) FI flows have increased both in absolute and relative terms in the last two decades; (iii) nearly all developing regions have benefited from that increase. Therefore, there seems to be a strong case for measuring commitment to development through an investment component by evaluating the incentives for investing in development-friendly activities in emerging and aid recipient countries—just as the CDI does.

For developing countries, foreign investment is mostly about foreign direct investment

The investment component of the CDI[2] considers and evaluates public interventions affecting both FDI and PI. However, a closer look at FI figures in developing countries –and on a global scale– shows that nearly all FI available for these economies is direct. A greater commitment to development necessarily implies, over other measures, an increased development orientation of FDI flows and stocks from OECD countries to aid partners (Table 2). For instance, FDI inflows in Europe and Central Asia and the Middle East and North Africa account to over 96 percent of total

[2] Investment is actually a subcomponent of the 2013 CDI, which makes part of the newly created finance component, along with a financial secrecy subcomponent. However, since this paper focuses on investment policies, it will refer to it as the investment component, and will use the term subcomponent to refer to any of the four sets of measures and indicators that make part of it: the political risk insurance sub-component, the anti-bribery subcomponent, the other-measures subcomponent, and the portfolio investment sub-component.

FI inflows. The developing region with the lowest proportion of FDI flows in relation to PI is South Asia which, during the 2000 through 2011 period, hosted over 69 percent of net FI inflows in the form of direct investments.

Table 2. Distribution of foreign investment net inflows in developing countries by investment type (average % of total net foreign investment inflows; 2000-2011 period)

	FDI	**PI**
East Asia & Pacific	88.35	11.65
Europe & Central Asia	96.12	3.88
Latin America & Caribbean	88.44	11.56
Middle East & North Africa	97.58	2.42
South Asia	69.30	30.70
Sub-Saharan Africa	82.79	17.21
World	71.06	28.94

Source: World Bank (2013)

Big players: host countries

As suspected, regional figures hide important disparities. As in other types of transnational economic activity in developing countries, such as trade and remittances, FDI tends to concentrate in a few dynamic and emerging economies. It should be noted, however, that this concentration has tended to decrease. In 1990, over 86 percent of total inward FDI was stocked in only 20 countries. By 2012, this share had decreased to 76 percent (Table 3). Moreover, there has also been a shift in the ranking of top FDI destinations. In 1990, FDI darlings were the United States, the United Kingdom, Hong Kong, Canada and Germany. Two decades later, the United States still lead the list, followed by Hong Kong and the United Kingdom. The fourth and fifth places are now held by two other OECD countries –France and Belgium. However, an interesting trend exists with non-OECD emerging and developing countries: they have consistently up-scaled their rankings. China has moved up by 11 positions, Russia by 7 positions, Singapore by 6 positions, and Brazil by 5 positions.

Table 3. Top FDI recipients (FDI inward stock, millions of current US$ and % of total stock)

	1990	% total 1990	Position	2012	% total 2012	Position
Australia	80,364	3.87	7	610,517	2.68	16
Belgium	58,388	2.81	11	1,010,967	4.43	5
Brazil	37,143	1.79	13	702,208	3.08	8
British Virgin Islands	126	0.01	19	362,891	1.59	17
Canada	112,843	5.43	4	636,972	2.79	11
China	20,691	1.00	17	832,882	3.65	6
China, Hong Kong SAR	201,653	9.70	3	1,422,375	6.24	2
France	97,814	4.71	6	1,094,961	4.80	4
Germany	111,231	5.35	5	716,344	3.14	7
Ireland	37,989	1.83	12	298,088	1.31	20
Italy	59,998	2.89	10	356,887	1.56	18
Mexico	22,424	1.08	16	314,968	1.38	19
Netherlands	68,701	3.31	8	572,986	2.51	13
Poland	109	0.01	20	230,604	1.01	21
Russian Federation	_	0.00	21	508,890	2.23	14
Singapore	30,468	1.47	15	682,396	2.99	9
Spain	65,916	3.17	9	634,539	2.78	12
Sweden	12,636	0.61	18	376,181	1.65	15
Switzerland	34,245	1.65	14	665,596	2.92	10
United Kingdom	203,905	9.81	2	1,321,352	5.79	3
United States	539,601	25.96	1	3,931,976	17.24	1
Sub-total	1,796,246	86,43		17,284,580	76	
World	2,078,267	100		22,812,680	100	
top 5		56,26			38,49	
top 10		74,20			54,27	
top 15		83,74			66,24	
top 20		86,43			74,76	

Source: UNCTAD (2013a)

Big players: home countries

Countries included in the CDI account for a significant share of world FDI outflows: an average of nearly 88 percent of world flows since the beginning of the century (Table 4). However, this share has strongly declined over the last two decades, from over 95 percent in 1990 to less than 68 percent in 2012. Both European countries and EU member countries included in the CDI have followed that same trend, down from 60 percent and 57 percent, respectively, in 1990, to 41 percent and 34 percent in 2012. It can be said that, despite its decay in terms of FDI, Europe is still a global actor when it comes to transnational productive flows.

Among the European members analyzed by the CDI, we can identify five big players: the United Kingdom, France, Germany, the Netherlands and Belgium.

Table 4. Big players as FDI homes (average % of net FDI outflows)

	1990-99	2000-12	1990-2012
Austria	0.57	1.31	0.99
Belgium	3.99	5.97	5.11
Czech Republic	-	0.08	-
Denmark	1.05	0.92	0.98
Finland	0.96	0.68	0.80
France	10.90	9.90	10.33
Germany	11.22	6.49	8.55
Greece	0.01	0.17	0.10
Hungary	-	0.26	-
Ireland	0.26	1.48	0.95
Italy	2.62	3.03	2.85
Luxembourg	-	-	-
Netherlands	6.57	6.18	6.35
Poland	0.01	0.29	0.17
Portugal	0.28	0.47	0.39
Slovakia	-	0.04	-
Spain	2.30	4.98	3.82
Sweden	2.81	2.68	2.74
United Kingdom	13.12	10.63	11.71
European Union (% CDI countries)	56.67	55.56	55.83
Norway	0.77	1.51	1.19
Switzerland	3.82	4.10	3.98
Europe (% CDI countries)	61.30	63.17	63.82
Australia	0.91	0.92	1.19
Canada	3.45	3.63	3.86
Japan	8.99	7.07	5.95
Korea. Republic of	0.83	0.82	0.77
New Zealand	0.22	0.12	0.02
United States	24.31	24.27	24.38
Total CDI countries (% World)	88.46	87.72	87.10

Source: UNCTAD (2013a)

Most of them maintain transnational relations in this field with other OECD countries. In fact, according to OECD figures, the share of outward Belgian FDI stock in other OECD countries amounts to nearly 94 percent of Belgian stock. In the case of France, Germany and the Netherlands, this figure oscillates between 83 and 84 percent. When it comes to the United Kingdom, the share goes down to 78 percent.

As for the proportion of outward FDI stock hosted in non-OECD and non-European countries, there are mild differences from one country to another, but the big host players identified previously —emerging economies and tax havens— appear to be the main destinations (table 5).

Table 5. Top FDI destination countries for top home European Union-CDI economies (% of total 2011 or 2010 FDI outward stock)

United Kingdom		France		Germany		Netherlands		Belgium	
destination	%FDI stock	destination	% FDI stock	destination	% FDI stock	destination	% FDI stock	destination	% FDI stock
Hong Kong	3.03	Brazil	1.98	China	3.06	Singapore	2.14	Bermuda	0.77
Bermuda	1.42	China	1.10	Brazil	1.36	Brazil	1.44	Brazil	0.61
Brazil	1.30	Hong Kong	0.78	Singapore	1.10	Nigeria	1.19	Hong Kong	0.58
India	1.24	Bermuda	0.61	India	0.77	China	0.8	Congo	0.39
South Africa	0.97	Singapore	0.58	South Africa	0.58	Hong Kong	0.79	China	0.38

Source: OECD (2013)

2. What does it mean for European countries to be committed to development through investment?

The finance component of the CDI evaluates two factors: the promotion of international investment towards developing countries and the combat/support of financial secrecy. As mentioned previously, this piece focuses on the investment policies assessed by the finance component, that is the aggregate of 17 indicators covering four facets: (1) the official provision of political risk insurance which protects investors against risk and, therefore, facilitates transnational investment in risky environments; (2) actions to prevent bribery and other corrupt practices—for example, complying with international anti-bribery standards such as OECD conventions or the Extractive Industries Transparency Initiative (EITI); (3) other measures to support foreign direct investors in developing countries, such as assisting firms in identifying investment opportunities; and (4) providing support to portfolio flows.[3] This 'beyond aid' vision of donors' involvement with recipient countries through FDI and portfolio investment responds to Moran's methodological proposal (Moran, 2005) used by CDI since 2004.

There is a rationale for this investment-development approach. For instance, the role of corruption in (under)development has been extensively treated by academic literature like new institutionalist authors—see Acemoglu and Verdier (2000). More specifically, the issue of the correlation between FDI and corrupt practices has been studied by UNCTAD –see, for instance, Terutono (1992)– and the OECD (2011)[4] but is scarce in specific aspects, like the impact of political risk insurance –see, for instance, Gordon (2008) and Jensen (2008).

In any case, the investment component of the CDI has not raised much debate or controversy. Since its first publication in the early 2000s, the Center for Global Development's index has led to a series of discussions centered mostly around the index 's formula, particularly on the fact that all components have the same weight (Sawada et al., 2004, Picciotto, 2005; Chowdhury and Squire, 2006; Stapleton and Garrod, 2008) and the aid component (McGillivray, 2003; Sawada et al., 2004; Picciotto, 2005). As for the investment component, we could only record Sawada et al. (2004) concerns regarding the regulation of pension funds and, in more general terms, the financial and balance-of-payments instability that might result from large portfolio in- and outflows.

A 'do not hinder / do not harm' index

The way Moran (2005) puts it, the investment component of the CDI shows to what extent rich countries take measures to both facilitate the flow of FDI to developing countries and ensure that the projects involved support (and do not detract from) host country growth and welfare. In other words, rich countries can promote development through investment by: (1) not hindering financial

---

[3] See CGD (2013).
[4] See also Gueroguiev and Malesky (2012).

flows –by insuring risk-adverse entrepreneurs, for instance–; (2) not harming development objectives through foreign investment –preventing corrupt practices of rich countries' businesses in poor countries; and (3) promoting specifically pro-development investment projects, or projects that guarantee host countries' growth and welfare in Moran's (2005) view. As shown in Table 6, several of the indicators of the investment component monitor the 'do not hinder' as well as the 'do not harm' measures. However, despite the initial objective, pro-development investment policies are not evaluated in the current version of the CDI.

The positive effect of international financial flows on development should not be taken for granted. As already pointed out by Sawada et al. (2004), we should acknowledge the fact that PI has played a central role in financial instability, and more specifically, in triggering balance-of-payments crises in developing and emerging economies[5].

As for FDI, academic literature is very far from a consensus on the positive impact of FDI on development. As soon as development economics appeared as a specific field of research, the effects of a FDI in developing countries became subject to analysis. According to the pioneers of development studies, external financing has several benefits, such as covering the local savings gap needed for launching the big push (see for instance Rosenstein-Rodan, 1943 and Lewis, 1950). On the contrary, according to Structuralists, foreign capital may play a role in the deterioration of terms of trade of peripheral economies (Singer, 1950). Latin American Dependentists go even further, saying foreign capital may lead to economic, technological, political and even intellectual dependency (see for instance Sunkel, 1972).

But it was not until the advent of international industrial relocation in the 1970s that economists began to focus on the concrete effects of FDI inflows on developing countries (Reuber et al., 1973; Lall and Streeten, 1977). Contemporary studies of the specific impacts of FDI on development are mainly empirical. They tend to test the results of foreign investment via one or two macro variables in a given sector, in a certain country and over a specific time period. The effects most frequently explored by this type of literature include growth[6], innovation and technological spillovers[7] and productivity[8].

---

5 A literature review on the role of PI in financial crises in developing economies can be found in Olivié (2005).

6 Dutt (1997); Blomström et al. (1999); Borensztein et al.(1998); Saggi (2000); Obwona (2001); Zhang (2001); Hermes and Lensink (2003); Akinlo (2004); Alfaro et al. (2004 and 2010); Nunnenkamp (2004); Carkovic and Levine (2005); Chudnovsky and López (2007); Batten and Vo (2009); Wang and Wong (2009); Azman-Saini et al. (2010); Choong et al. (2010); Shen et al. (2010); Zhao and Zheng (2010); Ahmed et al. (2011); Nicet-Chenaf and Rougier (2011); Cipollina et al. (2012), Choong (2012); Herzer (2012); Izuchukwu et al. (2012); Li and Xu (2012); Ouyang and Fu (2012); Driffield and Jones (2013); Yalta (2013).

7 Blomström and Persson (1983); Haddad and Harrison (1993); Dunning (1994); Borensztein et al. (1998); Aitken and Harrison (1999); Blömstromand Sjöholm (1999); De Mello (1999); Kugler (2000 and 2006); Javorcik (2004); Blalock and Gertler (2005); Jordaan (2005); Takii (2005); Chudnovsky and López (2007); Girma et al. (2008); Girma and Gong (2008); Padilla (2008); Paus and Gallagher (2008); Fu and Diez (2010); Marin and Sasidharan (2010); Ren and Hao (2010); Zhang et al. (2010); Huang et al. (2012); Rosell-Martínez and Sánchez-Sellero (2012); Wang and Wong (2012); García et al. (2013); Mastromarco et al. (2013).

8 Sadik and Bolbol (2001); Chudnovsky and López (2007); Chakraborty and Nunnenkamp (2008); Ang (2009); Wang and Wong (2009); Menghinello et al. (2012); Wang (2010); Balsvik (2011); Fillat and Woerz (2011); Guo and Chen (2011); Hagemejer and Kolasa (2011); Hong and Sun (2011); Lin et al. (2011); Suvanto et al. (2012); Bodman and Le (2013).

Table 6. Indicators and goals in the investment component

Indicator	Do not hinder	Do not harm
1. Official provision of political risk insurance, which protects investors against such risks as the host country government nationalizing their factories	10	
1.a. Is the country a member of the Multilateral Investment Guarantee Agency and the International Finance Corporation, both part of the World Bank Group, and regional development banks? All provide political risk insurance		
1.b. Does the country have a national political risk insurance agency?	15	
1.c. Does the national agency fail to screen for environmental, labor standards and human rights issues?		-4
1.d. Does the agency avoid projects in 'sensitive' sectors that could threaten certain source-country commercial interests?		-2
1.e. Does the agency offer coverage to firms majority-owned by nationals, as opposed to any firm with a significant presence in the home economy?	-2	
2. Actions to prevent bribery and other corrupt practices abroad		
2.a. How has the country progressed in implementing the OECD Convention against Bribery of Foreign Public Officials in International Business Transactions? Has it begun phase II monitoring to evaluate whether it is effectively implementing the Convention in its own laws? Did it complete Phase II by the end of 2004?		4
2.b. Do the country's law make it easy for domestic corporations to circumvent the intent of the OECD convention, for example by entering Enron-like partnerships with relatives of foreign officials?		-2
2.c. Has it participated in 'publish what you pay' initiatives to promote transparency in payments, taxes, receipts, and expenditures that its multinationals pay to foreign governments? Examples: the EITI, the G-8 Anti-Corruption and Transparency Action Plan, the Kimberly Process to control trade in 'blood diamonds', and the World Bank trust fund to combat bribery.		16
2.d. Has the country shown real leadership on such issues?		6
2.e. Score on Transparency International's Bribe Payer's Index		4
2.f. Has the country been negligent in enforcing laws against deferred gift payments, which are thinly disguised bribes?		-6
3. Other measures to support foreign direct investors in developing countries		
3.a. Does the country assist firms in identifying investment opportunities?	5	
3.b. Does it advocate against receiving countries applying labor, environmental, or human rights standards to FDI?		-5
4. Policies that affect portfolio flows		
4.a. Does it provide support for portfolio flows, for example by lending start-up capital to mutual funds investing in developing countries?	4	
4.b. Does the country eschew restrictions on portfolio investments in developing countries by home countries by home country pension funds, beyond the 'prudent man' fiduciary rule on diversification?		12

Source: own elaboration on the basis of CGD (2013)

Other research explores the link between FDI and local investment[9], productive linkages and structural change[10], trade[11], labour[12], institutional quality[13]. The effects of FDI on poverty, inequality or human development in more general terms are studied too[14]. Although there are a number of studies on FDI in developing countries, the variety of evidence and outcomes in existing literature makes it difficult to determine whether FDI is good or bad, in general terms, for development in host countries.

In Moran's (2011) words, the existing literature on FDI and development is far from conclusive. Perhaps this is one reason why the investment component methodology, based on Moran's (2005) work, excludes the evaluation of 'pro-development' measures and is limited to 'do not hinder / do not harm' policies.

However, despite the complexity of understanding the varied effects that a foreign company's activity can have on a host developing country's economy and society—the how of the FDI-development nexus—evidence and policy practice suggest that rich countries' administrations can put in place systems that identify and promote investment that generates specific development results. This includes employment, balance of payments equilibrium, local and/or global public goods, the provision of goods and services or structural change (Olivié and Pérez, 2013). The 'black box' of FDI and development (Bell and Marin, 2004; Narula and Dunning, 2010; Zhan and Mirza, 2012) should not be a major obstacle for donors to target the promotion of pro-development FDI from their home economies. Within that complex net of variables, which comprise the whole picture of FDI and development, there are simple sequences that show a positive effect on development by certain types of investments. For instance, the promotion of FDI in labor-intensive sectors will most probably have a positive effect on job creation; similarly, incentives for export-oriented TNCs will probably affect positively the current account of host countries.

The complexity of the FDI-development nexus has not stopped some multilateral banks, like the Inter-American Development Bank (IDB), and traditional donors, like the United Kingdom, that actively promote private sector development from establishing identification measures which specifically target investments that guarantee given development outcomes, such as employment (Olivié and Pérez, 2013).

Following the principle of PCD and outside the 'aid universe', this practice could easily be applicable to the apparatus of investment promotion in developing countries that most—if not all—CDI countries have.

---

[9] Ndikumana and Verick (2008); Wang (2010); Kim et al. (2013).

[10] Fu (2011); Liu (2011); Andergassen and Candela (2013).

[11] Blomström and Kokko (1997); Chudnovsky and López (2007).

[12] Dragin et al. (2010).

[13] Ali et al.(2011).

[14] Tsai (1995); Nunnenkamp (2004); Choi (2006); Reiter and Steensma (2010); Gohou and Soumare (2012); Lessman (2013).

Box 1. A 'do not hinder / do not harm / pro-development' index

Besides 'do not hinder' and 'do not harm' measures, developed countries can implement 'pro-development' measures affecting FDI. These measures could be tracked by the investment component of the CDI. The section on other measures to promote FDI in developing countries (Table 6) could include two indicators: one describing whether or not investment promotion agencies and institutions in CDI countries incentivize pro-development FDI or any kind of FDI, and another evaluating how transparent and observable the system of incentives is. Moreover, the inclusion of these two indicators would maybe imply the elimination of indicator 1.d as the approach to pro-development effects would be based on outcomes—employment, exports, fiscal income—rather than on productive sectors.

Moreover, as for Measure 1 (regarding political risk insurance) it should be noted that the CDI is currently taking into account the existence of insurance agencies—take, for instance, the case of CESCE in Spain—as a proxy for facilitating FI flows. A pro-development approach should give more importance to the existence of investment, rather than insurance, tools and agencies—such as COFIDES or FONRPODE in Spain.

Finally, given the positive but also very negative consequences that important in- and outflows of PI might have on developing and emerging economies, we recommend elimination Section 4 of the subcomponent (Table 6).

3. Europe's commitment in investment issues, slightly above average

According to the CDI, Europe's overall commitment to development is far from outstanding (see table 7). Europe's score (5.1) may seem high in comparison to other big players like the United States (4.8) or Japan (3.4), but it is only slightly above the average. The European Union ranks fourth out of nine countries or political unions, with Norway occupying the first position (6.6).[15] For the region as a whole, the overall results are very similar[16].

Table 7. CDI overall standings, 2013

European Union as one			*Europe as one*		
Ranking	Country	Overall	Ranking	Country	Overall
1	Norway	6.2	1	New Zealand	5.7
2	New Zealand	5.7	2	Australia	5.3
3	Australia	5.3	3	Canada	5.2
4	Canada	5.2	4	Europe	5.1
4	EU	5.2	5	United States	4.6
6	United States	4.6	6	Japan	3.3
6	Switzerland	4.6	6	South Korea	3.3
8	Japan	3.3			
8	South Korea	3.3			

Source: CGD (2013)

This performance seems insufficient compared to the European institutions' speech on global development, and the importance given to the principle of PCD in its establishing Treaty (article 208). Behind these figures there might be a superficial approach to development, which consists of "providing substantial and effective aid, while doing relatively little to tackle the underlying

[15] Since 2012, the CDI provides aggregate scores for Europe as a region (http://international.cgdev.org/initiative/commitment-development-index/index).

[16] Both results cannot differ too much as the CDI evaluates countries' efforts and measures most indicators as a share of GDP or population. Indicators lacking a natural denominator have been computed for Europe as a weighted average, with weights proportionate to their PPP-GDP (Barder et al., 2012).

structural causes of poverty" (Barder et al., 2012: 1). The following table (table 8) shows the score and rank of the EU and Europe in all components of the CDI.

Table 8. Europe's position in the CDI components, 2013

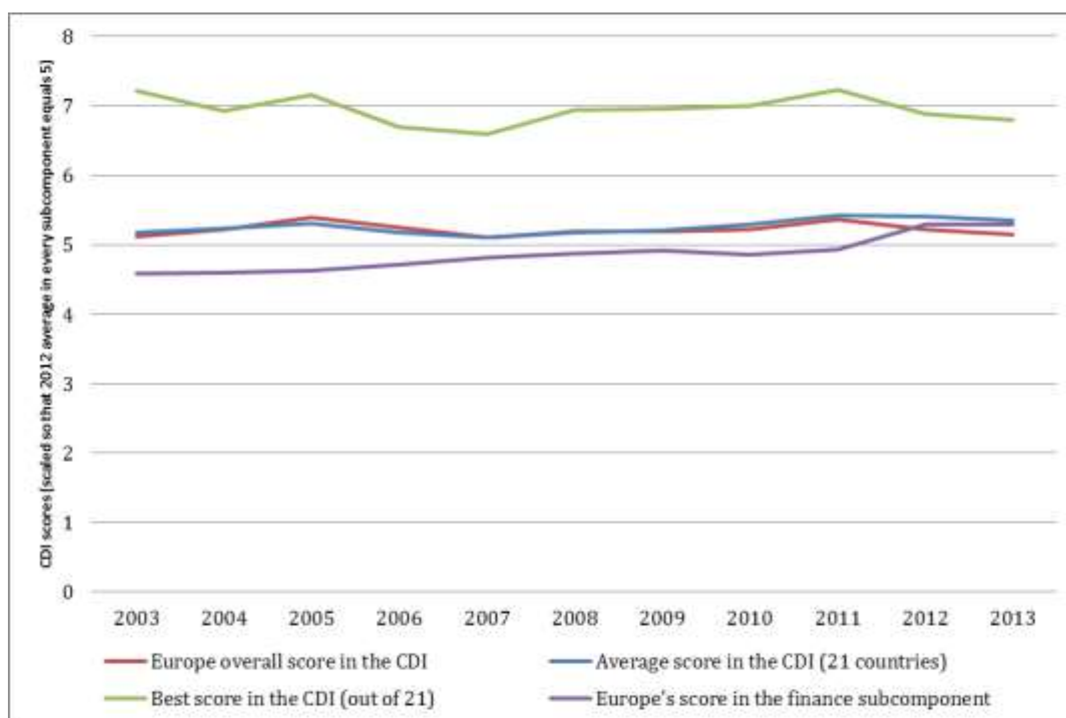
EU	Aid	Trade	Finance	Migration	Environment	Security	Technology	Overall (Average)
Score	4.6	5.3	5.4	5.0	7.1	4.0	4.8	5.2
Rank (out of 9)	3	5	4	7	1	5	6	4

EUROPE	Aid	Trade	Finance	Migration	Environment	Security	Technology	Overall (Average)
Score	4.6	5.3	5.3	5.0	7.1	4.0	4.8	5.2
Rank (out of 7)	3	5	3	7	1	5	6	4

Source: CGD (2013)

Environment and aid are the fields where Europe demonstrates a relatively strong commitment to development, balancing low scores in migration, technology and trade. In the finance component—which measures support to investment in developing countries as well as financial transparency—Europe's results are in line with its overall performance in the CDI. The region stands in a median position and its score is slightly above average (see figure 2). However, while the EU total CDI score has remained the same across the time, its performance in the finance component has progressively improved. Behind this positive trend, as explained in the following paragraphs, there is an increased support to investment in developing countries by main western European economies. Still, there remains a lot of room for improvement, especially in some sensitive areas, such as anti-corruption measures.

Figure 2. Europe's performance in the CDI (overall score and finance component) compared to best and average performers



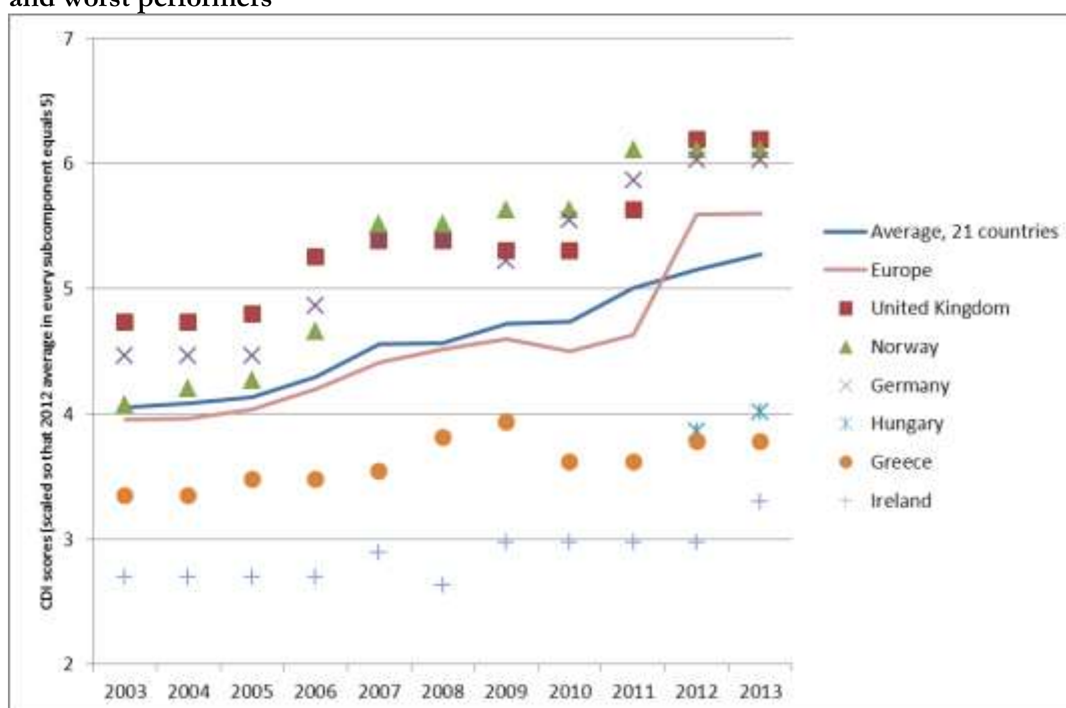
Source: authors' calculations based on CGD (2013)

Country analysis[17]: Being European does not entail a stronger commitment to development

By disaggregating this dimension of Europe's commitment to development into every country's scores across the time, we find that such a positive trend hides very different national scores and policies.

Three out of the four best cases and the three worst cases on the CDI's global 2013 ranking are European countries. The United Kingdom, Norway and Germany are Europe's best performers; some of them have surpassed Canada at some point, which usually stands in first position. The countries with the worst scores of the whole series have historically been Ireland and Greece. In 2012, five new European countries—Poland, Luxembourg, Slovakia, Czech Republic and Hungary—were added to the index. All of them, except Poland, performed under the average of 5 points. At the end, Europe's score is nothing but a weighted average of very different national scores.

Figure 3. Europe's performance in the investment component compared to average, best and worst performers



Source: authors' calculations based on CGD (2013)

While being European does not seem to necessitate higher performance in the investment component of the CDI, the size of the economy might have an influence on it: standings for 2013 show that big economies with greater stocks of outward FDI (Section 1) tend to have better scores. The explanation of this may lie in the fact that, while most of the indicators synthesized in the CDI are expressed in terms of GDI or population, the investment component mainly verifies the existence of certain administrative capacities more easily implemented by bigger countries. Political risk insurance agencies, membership in multilateral financial organizations, or participation in transparency initiatives are examples of this. For detailed investment component ranking see table 9 below.

---

17 European countries considered in the CDI were 16 until 2011: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Sweden, Switzerland, Spain, the United Kingdom. For the 2012 edition, five new European countries were added: Czech Republic, Hungary, Luxembourg, Poland and Slovakia. For these countries, performance was assessed only from 2012 onwards. So, the Center for Global Development decided to consider only the 16 initial countries when providing aggregated results as "it would be inconsistent to compare Europe-16 in 2003-11 to Europe-21 in 2012" (Barder et al., 2012: 6). As the most recently added countries' performance in the CDI is under the average (both in the CDI and in the investment component), Europe's aggregated results would be even lower if all European countries were taken into account.

Table 9. CDI investment component, 2013 ranking

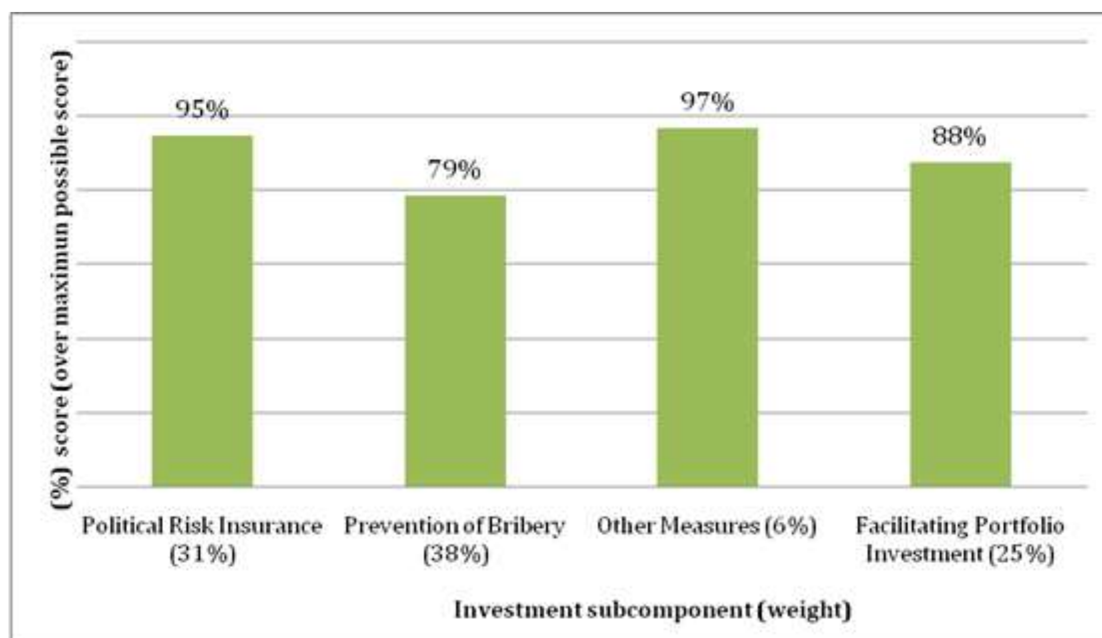
Rank	Country	score	Rank	Country	score
1	Canada	6.4	15	Austria	5.2
2	United Kingdom	6.2	16	Spain	5.1
3	Norway	6.1	17	Poland	5.1
4	Germany	6.0	18	Japan	5.0
5	Australia	5.9	19	Switzerland	4.9
6	Netherlands	5.8	20	Czech Republic	4.8
7	Belgium	5.7	21	United States	4.7
8	Finland	5.6	22	Luxembourg	4.3
9	South Korea	5.5	23	Slovakia	4.3
10	France	5.5	24	New Zealand	4.2
11	Portugal	5.5	25	Hungary	4.0
12	Italy	5.4	26	Greece	3.8
13	Denmark	5.3	27	Ireland	3.3
14	Sweden	5.3			

Source: authors' calculations based on CGD (2013)

Subcomponent analysis: Europe's fight against corruption abroad could be more vigorous

As explained in Section 2, countries' commitment in investment policies can be broken down in various sets of measures which are believed to encourage investment inflows in developing countries and/or mitigate potential negative impacts of such flows[18]. These are grouped into four subcomponents which comprise the CDI investment component: (1) political risk insurance, (2) prevention of bribery and corrupted practices, (3) other FDI-support measures and (4) facilitating portfolio investment. European countries get almost the maximum score in two categories—political risk insurance and other measures—but still have some room for improvement in preventing bribery and facilitating portfolio investment.

Figure 4. Europe's performance in the investment components of the CDI



Source: authors' calculations based on CGD (2013)

a) Europe provides political risk insurance for development-friendly investments

Providing political risk insurance is considered to have a positive influence on development finance as it removes obstacles for international investors to establish their companies in risky

[18] For further information on the scoring system of the CDI investment component, see CGD (2013).

environments. This can be done by means of national agencies or by contributing to multilateral initiatives. Further, according to the CDI rationale, it is important that official political risk insurers do not provide coverage indiscriminately, without evaluating the positive or negative consequences of the investment (Moran, 2005). In general terms, all European countries meet these requirements. They all contribute to multilateral initiatives—MIGA, IFC and regional development banks—and most of them have set up national agencies with a development-friendly approach. The exceptions are Switzerland and Ireland, which do not have such agencies, and Hungary, whose agency does not meet the four development criteria adopted by the CDI.[19]

b) European countries' foreign services also support investment in developing countries

Europe raises its maximum score in the least important subcomponent according to the CDI methodology: "Other measures facilitating FDI". This indicator assesses the role of diplomats and civil servants abroad, and its weight is only 6 percent of the total investment component. The performance of Europe in this category is almost 100%, as only Ireland and Luxembourg do not use their foreign and commercial service to identify investment opportunities abroad. Additionally, no European country has advocated preventing implementation of environmental, labor, or human rights standards at the international level.[20]

c) Europe does not hinder (and even facilitates) portfolio investment

Regarding PIs, the CDI only assesses whether or not governments hinder or facilitate pension fund equity investments in developing countries. Europe earns almost the maximum possible score in this field, as only Greece still has legislation which creates impediments to such investments.[21] Moreover, the CDI assesses positively the fact that several European countries even extend political risk insurance to such investments. However, as previously mentioned (Box 1), PI facilitation might not prove to be a consistent proxy of commitment to development.

d) However, Europe's commitment against bribery and corruption abroad is weak

Of all the aspects of the investment policy assessed by the CDI, Europe gets its worst score in the most sensitive and important subcomponent, or 38 percent of the overall investment component: anti-bribery and corruption measures. Here, Europe stands far from Canada, which achieves the maximum possible score, and behind Australia and the United States (see Table 10).

Table 10. Country performance in the anti-bribery subcomponent, 2013

Country	Score	% (over max)
Canada	30	100%
Australia	28	93%
United States	27	90%
Europe	23.6	79%
South Korea	19	63%
Japan	17	57%
New Zealand	17	57%

Source: authors' calculations based on CGD (2013)

The anti-bribery subcomponent is a set of seven qualitative indicators mainly assessing countries' involvement in certain international initiatives aimed at mitigating corruption in developing countries. Such involvement is measured within the investment component because of its focus on rich countries' companies operating in developing countries. As per the EU's speech on global governance, this score highlights the need for greater commitment by EU Institutions and member

[19] For further information on the scoring criteria, see table 6.

[20] Actually, no country listed in the CDI gets a bad score in this section since 2005. In 2003 and 2004 only Japan was considered to influence negatively in the implementation of development standards and received a negative score for that reason.

[21] French legislation also imposed restrictions to pension fund investments in developing countries, which resulted in a negative score from the CDI. Those restrictions were finally removed in 2008.

states in such a sensitive field. The following is a detailed description of Europe's disappointing score.

The main indicator here deals with the implementation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. This convention is scheduled in three phases: Phase 1, on the conformity of national legislation with the convention; Phase 2, on the assessment of how effectively this legislation functions in practice; and Phase 3, on its enforcement.[22] All European and non-European countries assessed in the CDI will conclude Phase 3 in 2013, but the CDI also raises attention to the fact that some gaps in the OECD convention and domestic laws reduces their effectiveness in preventing corruption. Multinational companies use "sophisticated current-payoff-and-deferred-gift structures to relatives and friends of host country officials that do not technically put them at risk of prosecution under OECD-consistent home country anti-bribery laws" (CGD, 2012:9). Consequently, the CDI demands investor home countries take legal steps to close what is called the "OECD convention loophole.". Only Germany has done so according to the 2013 edition of the CDI.

The CDI also assesses the effectiveness of such laws by collecting evidence of governments' prosecution of bribe-payment and corrupt practices abroad. Countries are awarded four points for demonstrating legal action against companies involved in such practices, and may receive a 4-point penalty for evidence of negligence in identifying them. According to 2013 data, only Germany has demonstrated vigorous action to punish bribe-payers abroad, while the Netherlands, Sweden, Greece, Spain, Slovakia and Hungary have even received a penalty.

The CDI anti-bribery indicator integrates the Bribe Payers Index (BPI) released by Transparency International, which ranks the likelihood of that leading economies' will win business abroad by paying bribes.[23] A country receives 4 points on the CDI if it scores in the first quarter of the BPI (lowest reputation for paying bribes), 3 points in the second quarter, 2 points in the third quarter, and 0 points in the fourth quarter. Most EU countries receive only 2 points[24].

Finally, the CDI also encourages countries support to international transparency initiatives such as the Extractive Industries Transparency Initiative (EITI), the Kimberly Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber Organization (ITTO). European countries get positive scores in this section (see table 11).

---

[22] Further information on http://www.oecd.org/corruption/oecdantibriberyconvention.htm

[23] The BPI is an index by Transparency International based on interviews in the field (http://bpi.transparency.org/bpi2011/). However, it seems like small EU countries are not included in the index and still they receive 2 points.

[24] Only 7 out 19 EU countries included in the CDI are scored by the Bribe Payers Index (BPI) released by Transparency International. The remaining 10 countries receive 2 points, the medium point of a 0-4 scale. However, 2 is actually the worst score received by any country in the CDI.

Table 11.European countries commitment to fight against bribery and corruption abroad, 2013

European Country	OECD convention participation level (+10)	OECD weakness (-2)	Member of MDTF, EITI, KPCS, ITTO (+6)	Leadership on extractive industry issues (+6)	Bribe Payers Index Score Cluster (+4)	Vigorous action to punish home country bribe payers (+4)	Negligence in identifying bribery and corrupt practices (-4)	Number of indicators (out of 30)
Norway	10	0	6	6	2	2	0	26
Switzerland	10	-2	6	6	4	2	0	26
Austria	10	-2	6	0	2	2	0	18
Belgium	10	-2	6	6	4	0	0	24
Czech Republic	10	0	6	0	2	0	0	18
Denmark	10	0	6	3	2	0	0	21
Finland	10	-2	6	6	2	0	-2	20
France	10	-2	6	3	3	0	0	20
Germany	10	0	6	6	4	4	0	30
Greece	10	-2	6	0	2	0	-2	14
Hungary	10	0	6	0	2	0	-2	16
Ireland	10	-2	6	0	2	0	0	16
Italy	10	-2	6	6	2	0	0	22
Luxembourg	10	-2	6	0	2	0	0	16
Netherlands	10	-2	6	6	4	0	-2	22
Poland	10	-2	6	0	2	0	0	16
Portugal	10	0	6	0	2	0	0	18
Slovakia	10	-2	6	0	2	0	-2	14
Spain	10	-2	6	6	3	0	-2	21
Sweden	10	-2	6	2	2	0	-2	16
United Kingdom	10	-2	6	6	3	4	0	27
Number of European low performers	0	15	0	10	14	16	7	
% of European low performers (over 21 European countries)	0%	71%	0%	48%	67%	76%	33%	

Low performance

Source: authors' calculations based on CGD (2013)

e) Germany, an outlier in fighting corruption abroad

As explained in the country analysis section, European performance in the CDI and, more specifically, in the investment component, is actually an average of very different national policies and scores. Aggregated scores may hide the outstanding performance of some countries, like the United Kingdom, almost raising Canada's top position, or Germany, which has an outstanding overall score and receives the maximum possible score in all anti-bribery indicators. It is especially remarkable that this European country has not only closed the OECD anti-bribery convention loophole in national legislation, but also launched several legal cases against German companies suspected of illegal payments and dubious operations abroad.[25]

[25] As per the CGD 2012 survey, the public prosecutor´s office of Munich arrested two managers of Siemens in Kuwait accused of bribery; two ex –managers of Ferrostaal were sentenced to two years of suspended sentence for payment of bribes to Greece and to Portugal in exchange of purchase orders for submarines. Other multinational

4. Who is responsible for improving Europe's commitment in investment issues?

International investment policies in the EU were in the hands of member states until 2007, when the Lisbon Treaty granted the Union exclusive competence over the abolition of restrictions on foreign direct investment. Based on the assumption that an effective customs union should ensure freedom of commercial and financial flows, international investment was included as one of the areas covered by the common commercial policy of the EU.

According to the European Commission (EC), these competencies include international negotiations, dialogue with key partners, and the active participation in related works conducted in international fora like the OECD or UNCTAD (EC, 2010). However, they do not include investment promotion efforts, which remain under the jurisdiction of member states at the national or sub-national level. In other words, the EC is still in charge of replacing Bilateral Investment Treaties (BITs) for investment chapters in Free Agreements (FTAs)—a factor that is not under within the CDI's scope. By the same token FDI promotion will remain in hands of member states (EC, 2012). Apparently, no changes are foreseen for other investment-related policies like pension fund regulation or anti-corruption enforcement.[26] Therefore, policy recommendations drawn from the investment components of the CDI must be addressed to member states rather than EU Institutions—something that makes advocacy for development-friendly investment more laborious.

However, as explained in the following paragraphs, the EU institutions contribution to development through investment can still be very relevant for two reasons. First, the Union can influence in the way member States promote investment in development countries based on its policy coherence mandate[27]. Second, the specific competencies transferred to the EU institutions (the negotiation of investment agreements) are not a minor issue in terms of development. As a matter of fact, the investor-state dispute settlement system is currently being questioned by certain governments in developing countries and an international debate is currently going on.

Planning and monitoring policy coherence for development at the EU level

Regardless of competence distribution, stronger European commitment to development in investment issues can be fostered by the EU institutions in the framework of PCD joint efforts. EU member states and institutions agreed on a PCD framework as part of the European Consensus on Development in 2005, and renewed their commitments by adopting a Policy Coherence for Development Work Program for 2010-2013. The EC leads a PCD working group, with participation of all member states and reports every two years on progress made in PCD. Feedback from developing countries and civil society is used to assess the impact of European policies on developing countries. The European Parliament (EP) also plays a role by raising PCD issues that end up in the agenda of member states, and therefore monitored at the European level.

The PCD Working Group, as per the 2010-2013 Working Plan, currently focuses on five priority areas, one of which is trade and finance. Some of the questions addressed under this area are trade negotiations, market access, corporate social responsibility, Intellectual Property rights (IPR), good tax governance and finance. According to EC staff interviewed for the purpose of this article, a new Working Plan—beginning next year—could deepen in investment-and-development issues, and suggest, more specifically, an increasingly determined action against European companies involved in corrupted practices in developing countries.

---

companies like Volkswagen, Deutsche Telekom, MAN have also been involved in dubious operations abroad and their managers have been fined and/or forced to resign.

[26] Eventually, EU institutions could take action in any field that may influence freedom of capital in the common market by adopting common legislation or promoting harmonization by other means. See for instance, regulations on sovereign funds.

[27] The Union, according to its establishing Treaty (article 208) must take into account the objectives of development cooperation in all policies likely to affect developing countries, and it fosters joint progress by member states in PCD.

The on-going debate on BITs and their development implications

Since the Treaty of Lisbon entered into force in on December 1, 2009, the EU has still not reached an international investment agreement. There is some expectation on whether investment clauses in new EU FTA will either stick to the classic European model of BIT focused on investors' protection, or leave more room for policy space in host countries, in line with recent guidelines from UNCTAD for a new generation of investment policies for sustainable development (UNCTAD, 2012).

UNCTAD (2012) acknowledges that investment relations between developed and developing countries have not been balanced in the last years due to an excess of protection for investors, and includes a chapter on policy options in BITs. This chapter describes policy space implications of every element of the BIT and raises different development considerations to take into account when negotiating each of those elements.

On the opposite side, defenders of the current investment protection system put the accent on the risk that "wide-ranging exceptions and vaguely formulated safeguard clauses call into question the protection of foreign investments in their post-establishment phase" (Baldi, 2013: 1). This debate will become more intense in the coming years for several reasons.

First, several developing countries have already denounced or questioned BITs and other investment agreements. The Brazilian Parliament has refused to ratify any new agreement; India is trying to abolish investor-State dispute clauses; South Africa has denounced BITs with Luxembourg and Spain and is adopting a new framework for future negotiations; and Ecuador has also denounced treaties and exited from the International Center for Settlement of Investment Disputes.

Second, the investor-state dispute system (ISDS) is rousing criticism due to the impact of public opinion in certain cases, thus providing arguments to the above mentioned countries against ISDS. South Africa, for example, was sued by Italian and Luxembourgish companies because of regulatory changes in the mining sector considered indirect expropriations. Such regulations were framed in the South African black economic empowerment agenda. In Ecuador, Chevron is said to be avoiding the payment of a $18.2 billion penalty for massive contamination in the Amazon, by launching investor-state cases against its the country's government. This has led President Correa to declare that BITs "favor foreign investors over human beings".

Third, treaty expiration of 1,300 BITs by the end of 2013 creates "a window of opportunity to address inconsistencies (…) and update the investment regime in light of development paradigm shifts" (UNCTAD, 2013b:1).

The EC's position in this debate is still not known. Its recent note on ISDS mechanisms puts the accent on transparency of the proceedings, independence of arbitrators, the costs of arbitral proceedings, and recourse to national courts. However, it lacks specific mention of development or policy space clauses that may balance the investor-state relations (EC, 2013). Still, it is obvious that the Commission will have to face the dilemma sooner or later, not only when negotiating with developing countries, but also when seeking approval from an EC composed of countries with different approaches to the problem. Some see themselves mainly as home countries (mainly Western Europe), and others as host countries (mainly Eastern Europe).

The EP is also initiating this debate in the context of ongoing negotiations, like the investment agreement with China. The Green Group has recently approved a motion for a resolution stressing that "investment agreements concluded by the EU must not be in contradiction with the fundamental values which the EU aims to promote through its external policies and, to that end, must not undermine the capacity for public intervention, in particular when pursuing public policy objectives such as social and environmental criteria, human rights, security, workers' and consumers' rights, public health and safety, industrial policy and cultural diversity; calls for the inclusion of the respective specific clauses, on a binding basis, in the agreement" (EP, 2013). EP resolutions in this field are relevant, because its final approval is needed before concluding an FTA.

Debates in the EP will channel not only different national interests, but also different political approaches.

Box 2. Tracking countries' commitment to development through BITs

The investment component of the CDI measures developed countries' support for FDI flows to the developing world. As per its rationale (Moran, 2005), there is no evidence of either the correlation between the number of BITs signed by any given host and the amount of FDI received, or the increase of flows following to the completion of a BIT agreement. That is the reason why the CDI does not record BITs themselves as FDI-support measures.

Along with FDI-support measures by developed countries (i.e. providing political risk insurance to investments in developing countries), the index also assesses countries' efforts to ensure that FDI contributes to social welfare in the host country (i.e. conditioning the award of insurance to certain social and environmental criteria). Based on this rationale, the index should look in much more detail at BITs and assess whether or not they reduce developing countries' policy space to implement their development agendas (Section 2). This would be a complement to the work of UNCTAD in stressing the development dimension of BITs and advocating for more balanced relations between states and international investors. At the same time, as explained in the following paragraph, UNCTAD's work on highlighting the development implications of the different elements of every BIT would enormously facilitate data collection by the CDI team.

The UNCTAD 2012 World Investment Report focuses on the so-called new generation of investment policies and provides an investment policy framework for sustainable development consisting of three tools:

i. A set of core principles for investment policymaking
ii. Guidelines for national investment policies
iii. A matrix of BIT elements, policy options and development implications

The third shows the contents of a typical BIT and provides policymakers with an overview of options for designing future agreements. Furthermore, it identifies which options would be particularly supportive of sustainable development. For example, when assessing expropriation clauses, a typical element of a BIT, UNCTAD explains how indirect expropriation provisions contribute to a stable legal framework and reduce investors' risks to unpredictable and arbitrary regulatory measures that may have an impact on investments equivalent to expropriation. On the other hand, UNCTAD also points out how theses clauses "challenge general regulations with an alleged negative effect on the value of an investment" and "raises the question of the proper borderline between expropriation and legitimate public policymaking (i.e. environmental, social or health regulations)" (UNCTAD, 2012: 148). Similar considerations are made for clauses on national treatment, most-favored nation treatment, personnel and staffing, investor-State dispute settlements or umbrella clauses.

UNCTAD also presents in that same report actual developments in enhancing the development dimension of BITs in the current year, and updates such information in the following year (UNCTAD, 2013b). Furthermore, it has set up an academic collaboration network to catch up with previous years and assess all the agreements still in force. Soon there will be a web-accessed table containing a standard assessment of all BITs elements under the UNCTAD's framework. This could be the basis for a new indicator integrated in the investment component of the CDI.

5. Conclusions and policy recommendations

Foreign investment is an important source of external financing for the global South. In fact, both FDI and international remittances have proven to be extremely resilient in the recent years, despite the Great Recession. As for Europe, it is home of over 60 percent of world net FDI outflows. Hence, the way European countries and the European Union commit to development through international investment can make an important difference for developing countries.

However, according to the CDI, Europe's commitment to development through investment is only slightly above the average. Following the 'do not hinder/do not harm' measures by which investment is directed to developing countries, it could be said that, in general terms, Europe does not hinder investment flows to developing countries and even prevents some negative effects that foreign investment might have on developing host economies.

So, in a few words, Europe's commitment through investment is all right but could be improved. The following are some ideas on how to make such improvement, drawn from our previous analysis and addressed specifically to the EU institutions.

1. The EU Institutions should curtail corrupt practices of European companies in third countries

   The CDI data show that there is an important margin of manoeuvre in policy making for reducing European companies' participation in bribes and corrupt practices outside the European space. The EU institutions must reduce the general laxity of European norms on corrupt practices by European TNCs in order to be consistent to their speech on global governance and the construction of global public goods. Although direct fight against corruption is under national governments' responsibility, there is a EU agenda on home-and-justice affairs, which pays special attention to cross-national issues such as this.

2. International investment should be under the scope of policy coherence reports.

   The Union, according to its establishing Treaty (article 208) must take into account the objectives of development cooperation in all policies likely to affect developing countries. It fosters and monitors joint progress by member states in PCD, mainly through the negotiation of a four-year working plan for all Institutions and Member States, and the delivery of a progress report on a two-year basis. Now that competencies in investment issues are spread across the Union and a new working plan is being designed, this reporting system should also cover investment issues. This can be done by integrating them in an existing priority area such as trade.

3. A European standard in investment promotion policies should be fostered by the European Commission.

   The CDI shows that Europe's commitment to development through investment is nothing but a weighted average of very different national scores. The gap between Germany's outstanding progress in fighting against bribery abroad and average European results in this field is the best example of the potential for harmonization at the EU level.

   So, Europe's progress in this issue can be fostered by adopting a standard based on best European practices. Such standard can be conceived as a code of conduct for public agencies and departments promoting foreign investment in developing countries (financial institutions, official insurance companies, foreign services, etc.) and should include both do-no-harm rules (intended to avoid negative effects from investment activities), and pro-development criteria (intended to target specific goals included in national development agendas).

4. Would European investment promotion be more development friendly if it were provided at the EU level?

   The CDI investment component mainly verifies the existence of certain administrative capacities within a country. Political risk insurance agencies, membership in multilateral financial organizations, or participation in transparency initiatives are examples of this. These capacities might not seem cost-effective in smaller economies, and therefore, setting up certain investment promotion capacities at the EU could reduce certain gaps between smaller and bigger member states in investment-and-development issues. The Investment European Bank and the EU Delegations in the field could be second level institutions for promoting responsible investment by European companies in developing countries.

5. Participation by the EU in the on-going debate on BITs.

   Recent transfer of competencies related to international investment from member states to the EU requires further involvement of European Institutions in the on going debate on BITs. Relevant EU partners, such as the Andean countries, Brazil, South Africa or India, have questioned the existing investor-state dispute system based on traditional BITs. UNCTAD (2012) also considers this system to be unbalanced due to an excess of protection for investors, and makes several recommendations on how to align new agreements to national development agendas. The position of the EU Institutions on this issue is still not known. The EU Council and the European Parliament should make a political statement in response to developing countries' claims, and the European Commission, following to the UNCTAD guidelines, could lead a more technical debate on specific legal clauses making investors protection compatible with legitimate development goals in host countries.

6. A European model of BITs

   The main output of the above mentioned debate should be a general framework for new investment agreements, or more precisely, a European model of investment clauses in international trade agreements. If such proposal would take into account developing countries expectations, it would increase their confidence in new treaties and in European investors, and therefore it would actually increase investors' protection.

   Also, given the fact that bilateral negotiations of investment and trade agreements are secret, the previous elaboration of a general framework could be discussed in a more open and transparent way by European Institutions and stakeholders.

Finally, both the CDI project and the 'Europe Beyond Aid' initiative might both increase their capacity to influence European policymaking through several methodological adjustments. First, the scores for Europe do not include all European member states included in the CDI list of countries, as figures for 'new' countries are not available for previous years. Further, they do include Switzerland and Norway, which are not member states. These two issues might reduce ownership of results on the part of European institutions. Second, the investment component of the CDI could go beyond the 'do no harm/do not hinder' approach by including some 'pro-development' elements taking into account the measures implement in order to multiply the positive effects of FDI on development. Thirdly, for the sake of coherence, measures for promoting portfolio investment might be removed from CDI calculations, taking into account its potential impact on financial instability. Fourth, given that BITs negotiations are the most visible – at least the only– step towards European integration of foreign investment policy, a 'Europe Beyond Aid' investment indicator might well take the 'development-friendliness' of European BITs into account. More specifically, the CDI investment component could assess the alignment of BITs to international guidelines aiming to preserve policy space in investor-State dispute settlements.

References

Ahmed, Abdullahi D.; Enjiang Cheng and George Messinis (2011), "The Role of Exports, FDI and Imports in Development: Evidence from Sub-Saharan African Countries", *Applied Economics* 43(26): 3719-3731.

Acemoglu, Daron and Thierry Verdier (2000), "The Choice between Market Failures and Corruption", *American Economic Review* 90(1): 194-211.

Aitken, Brian J. and Ann E. Harrison (1999), "Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela", *American Economic Review* 89(3): 605-618.

Akinlo, A. Enisan (2004), "Foreign Direct Investment and Growth in Nigeria – An Empirical Investigation", *Journal of Policy Modelling* 26(5): 627-639.

Alfaro, Laura; Areendam Chanda, Sebnem Kalemli-Ozcan and Selin Sayek (2004), "FDI and Economic Growth: The Role of Local Financial Markets", *Journal of International Economics* 64(1): 89-112.

Alfaro, Laura; Areendam Chanda, Sebnem Kalemli-Ozcan and Selin Sayek (2010), "Does Foreign Direct Investment Promote Growth? Exploring the Role of Financial Markets on Linkages", *Journal of Development Economics* 91(2): 242-256.

Ali, Fathi; Norbert Fiess and Ronald MacDonald (2011), "Climbing to the Top? Foreign Direct Investment and Property Rights", *Economic Inquiry* 49(1): 289-302.

Andergassen, Rainer and Guido Candela (2013), "Less Developed Countries, Tourism Investments and Local Economic Development", *Review of Development Economics* 17(1): 16-33.

Ang, James B. (2009), "Financial Development and the FDI-Growth Nexus: The Malaysian Experience", *Applied Economics* 41(13): 1595-1601.

Azman-Saini, W.N.W; Siong Hook Law and Abd Halim (2010); "FDI and Economic Growth: New Evidence on the Role of Financial Markets", *Economic Letters* 107(2): 211-213.

Baldi, Marino (2013), "Are trade-law inspired investment rules desirable?", *Columbia FDI Perspectives,* September, No. 105

Balsvik, Ragnhild (2011), "Is Labor Mobility a Channel for Spillovers from Multinationals? Evidence from Norwegian Manufacturing", *Review of Economics and Statistics* 93(1): 285-297.

Barder, Owen; Julia Clark; Alice Lépissier; Liza Reynolds and David Roodman (2012), *Europe beyond aid: Assessing Europe's Commitment to Development,* Center for Global Development in Europe.

Batten, Jonathan A. and Xuan Vinh Vo (2009), "An Analysis of the Relationship between foreign direct investment and economic growth", *Applied Economics* (41)13: 1621-1641.

Bell, Martin and Anabel Marin (2004), "Where Do Foreign Direct Investment-Related Technology Spillovers Come from in Emerging Economies? An Exploration in Argentina in the 1990s", *European Journal of Development Research* 16(3): 653-686.

Blalock, Garrick and Paul J. Gertler (2005), "Foreign Direct Investment and Externalities: The Case for Public Intervention", in Theodore H. Moran, Edward M. Graham and Magnus Blomström (eds), *Does Foreign Direct Investment Promote Development?,* Institute for International Economics and Center for Global Development, Washington DC.

Blomström, Magnus and Ari Kokko (1997), "How Foreign Investment Affects Host Countries", *Policy Research Working Paper* 1745, World Bank, March.

Blömstrom, Magnus and Hakan Persson (1983), "Foreign Direct Investment and Spillover Efficiency in an Underdeveloped Economy: Evidence from the Mexican Manufacturing Industry", *World Development* 11(6): 493-501.

Blömstrom, Magnus and Fredrik Sjöholm (1999), "Technology Transfer and Spillovers: Does Local Participation with Multinational Matter?", *European Economic Review* 43(4-6):915-923.

Bodman, Philip and Thanh Le (2013), "Assessing the Roles that Absorptive Capacity and Economic Distance Play in the Foreign Direct Investment-Productivity Growth Nexus", *Applied Economics* 45(8): 1027-1039.

Borensztein, Eduardo; José De Gregorio and Jong-Wha Lee (1998), "How Does Foreign Investment Affect Growth?", *Journal of International Economics* 35(1): 115-135.

Carkovic, Maria and Ross Levine (2005), "Does Foreign Direct Investment Accelerate Economic Growth?", in Theodore H. Moran, Edward M. Graham and Magnus Blomström (eds), *Does Foreign Direct Investment Promote Development?*, Institute for International Economics and Center for Global Development, Washington DC.

CGD (2013), "2013 Commitment to Development Index (CDI)", available at <cgdev.org/cdi>

CGD (2012), "2012 Commitment to Development Index (CDI). Assessing Developed Country Efforts to Support Developing Country Growth Via Foreign Direct Investment: Explanation of the Scoring System for the Investment Component", *mimeo*, Center for Global Development.

Chakraborty, Chandana and Peter Nunnenkamp (2008), "Economic reforms, FDI and Economic Growth in India: A Sector Level Analysis", *World Development* 36(7): 1192-1212.

Choi, Changkyu (2006), "Does Foreign Direct Investment Affect Domestic Income Inequality?", *Applied Economics Letters* 13(12): 811-814.

Choong, Chee-Keong (2012), "Does Domestic Financial Development Enhance the Linkage between Foreign Direct Investment and Economic Growth?", *Empirical Economics* 42(3): 819-834.

Choong, Chee-Keong; Siew-Yong Lam and Zulkornain Yusop (2010), "Private Capital Flows to Low-Income Countries: The Role of Domestic Financial Sector", *Journal of Business Economics and Management* 11(4): 598-612.

Chowdhury, Shyamal and Lyn Squire (2006), "Setting Weights for Aggregate Indices: An Application to the Commitment to Development Index and Human Development Index", *The Journal of Development* 42(5): 761-771.

Chudnovsky, Daniel and Andrés López (2007), "Foreign Direct Investment and Development: the MERCOSUR experience", *CEPAL Review* 92: 7-23.

Cipollina, Maria; Giorgia Giovannetti; Filomena Pietrovito and Alberto F. Pozzolo (2012), "FDI and Growth: What Cross-Country Industry Data Say", *World Economy* 35(11): 1599-1629.

De Mello, Luiz (1999), "Foreign Direct Investment-Led Growth: Evidence from Time Series and Panel Data", *Oxford Economic Papers* 51(1): 133-151.

Dragin, Aleksandra; Dobrica Jovicic and Desimir Boskovic (2010), "Economic Impact of Cruise Tourism along the Pan-European Corridor VII", *Economic Research* 23(4): 127-141.

Driffield, Nigel and Chris Jones (2013), "Impact of FDI, ODA and Migrant Remittances on Economic Growth in Developing Countries: A Systems Approach", *European Journal of Development Research 25*(2): 173-196.

Dunning, John (1994), "Re-Evaluating the Benefits of Foreign Direct Investment", *Transnational Corporations* 3(1): 23-52.

Dutt, Amitava K. (1997), "The Pattern of Direct Foreign Investment and Economic Growth", *World Development* 25(11): 1925-1936.

EC (2013), *The Investor-State Dispute Settlement Mechanism*, European Commission Factsheets, October 3rd. available at
<http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150801.pdf>

EC (2012), "European Union Trade and Investment", European Commission DG TRADE Unit A3, B-1049, EC Publications Office, Brussels. Available at
<http://trade.ec.europa.eu/doclib/docs/2013/february/tradoc_150518.pdf>

EC (2010), "Towards a Comprehensive European International Investment Policy", Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the committee of the regions, 343 final, Brussels, July 7th. http://trade.ec.europa.eu/doclib/docs/2011/may/tradoc_147884.pdf

EP (2013), "Motion for a Resolution to Wind Up the Debate on the Statement by the Commission on the EU-China Negotiations for a Bilateral Investment Agreement", on behalf of the Greens/EFA Group of the European Parliament, 2013/2674(RSP), Brussels. http://trade.ec.europa.eu/doclib/docs/2013/october/tradoc_151791.pdf

Fillat, Carmen and Julia Woerz (2011), "Good or Bad? The Influence of FDI on Productivity Growth. An Industry-Level Analysis", *Journal of International Trade and Economic Development* 20(3): 293-328.

Fu, Lifen (2011), "Foreign Direct Investment and Industry Structural Upgrade", *Proceedings of the 2011 International Symposium – Technical Innovation of Industrial Transformation and Structural Adjustment*: 177-182.

Fu, Wenying and Javier Revilla Díez (2010), "Knowledge Spillover and Technological Upgrading. The Case of Guangdong Province, China", *Asian Journal of Technology Innovation* 18(2): 187-217.

Herzer, Dierk (2012), "How Does Foreign Direct Investment Really Affect Developing Countries' Growth?", *Review of International Economics* 20(2): 396-414.

García, Francisco; Byungchae Jin and Robert Salomon (2013), "Does Inward Foreign Direct Investment Improve the Innovative Performance of Local Firms?", *Research Policy* 42(1): 231-244.

Girma, Sourafel and Yundan Gong (2008), "FDI, Linkages and the Efficiency of State-owned Enterprises in China", *Journal of Development Studies* 44(5): 728-749.

Girma, Sourafel; Yundan Gong and Holger Goerg (2008), "Foreign Direct Investment, Access to Finance and Innovation Activity in Chinese Enterprises", *World Bank Economic Review* 22(2): 367-382.

Gohou, Gaston and Issouf Soumare (2012), "Does Foreign Direct Investment Reduce Poverty in Africa and Are There Regional Differences?", *World Development* 40(1): 75-95.

Gordon, Kathryn (2008), "Investment Guarantees and Political risk Insurance Institutions, Incentives and Development" in OECD *Investment Policy Perspectives*: 91-122 , OECD, Paris.

Gueorguiev, Dimitar, and Edmund Malesky (2012), "Foreign Investment and Bribery: A Firm-Level Analysis of Corruption in Vietnam", *Journal of Asian Economics* 23(2): 111-129.

Guo, Bin and Xiaoling Chen (2011), "How Does FDI Influence Industry-Level Knowledge

Production Efficiency in China?", *Asian Journal of Technology* 19(2): 263-277.

Haddad, Mona and Ann Harrison (1993), "Are There Positive Spillovers from Direct Foreign investment? Evidence from Panel Data for Morocco", *Journal of Development Economics* 42(1): 51-74.

Hagemejer, Jan and Marcin Kolasa (2011), "Internationalisation and Economic Performance of Enterprises: Evidence from Polish Firm-level Data", *World Development* 34(1): 74-100.

Hermes, Niels and Robert Lensink (2003), "Foreign Direct Investment, Financial Development and Economic Growth", *Journal of Development Studies* 40(1): 142-163.

Hong, Eunsuk and Laixiang Sun (2011), "Foreign Direct Investment and Total Factor Productivity in China: A Spatial Dynamic Panel Analysis", *Oxford Bulletin of Economics and Statistics* 73(6): 771-791.

Huang, Lingyun, Xiaming Liu and Lei Xu (2012), "Regional Innovation and Spillover Efffects of Foreign Direct Investment in China: A Threshold Approach", *Regional Studies* 46(5): 583-596.

Izuchukwu, Oji-Okoro; Huiping Huang; Abba Shehu and Edun Adetunji Olufemi (2012); "FDI Trade and its Effects on Agricultural Development in Nigeria: Evidence from Time Series Analysis", *Proceedings of the 9th International Conference on Innovation and Mangement*: 1216-1223.

Javorcik, Beata S. (2004), "Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers through Backward Linkages", *American Economic Review* 94(3): 605-627.

Jensen, Nathan (2008), "Political Risk, Democratic Institutions, and Foreign Direct Investment", *The Journal of Politics* 70(4): 1040-1052.

Jordaan, Jacob A. (2005), "Determinants of FDI-induced externalities: New empirical Evidence for Mexican Manufacturing Industries", *World Development* 33(12): 2103-2118.

Kim, Dong-Hyeon; Shu-Chin Lin and Yu-Bo Suen (2013), "Investment, Trade Openness and Foreign Direct Investment: Social Capability Matters", *International Review of Economics and Finance* 26: 56-69.

Kugler, Maurice (2000), "The Diffusion of Externalities from Foreign Direct Investment: Theory ahead of Measurement", *Discussion Papers in Economics and Econometrics, Department of Economics*, Southampton University.

Kugler Maurice (2006), "Spillovers from Foreign Direct Investment: Within or Between Industries?", *Journal of Development Economics* 80(2): 444-477.

Lall, Sanjaya and Paul Streeten (1977), "Foreign Investment, Transnationals and Developing Countries", Macmillan, London.

Lessmann, Christian (2013), "Foreign Direct Investment and Regional Inequality: A Panel Data Analysis" *China Economic Review* 24: 129-149.

Lewis, W. Arthur (1950), "Industrialisation in the British West Indies", *Caribbean Economic Review* 2(1): 1-61.

Li, Cheng and Hongyi Xu (2012), "An Empirical Research on the FDI in Services and the Economic Growth in China", *Proceedings of the 9th International Conference on Innovation and Management*, pp. 638-641.

Lin, Chun-Hung; Chia-Ming Lee and Chih-Hai Yang (2011), "Does Foreign Direct Investment Really Enhance China's Regional Productivity?", *Journal of International Trade and Economic Development* 20(6): 741-768.

Liu, Bih Jane (2011), "MNEs and Local Linkages: Evidence from Taiwanese Affiliates" *World Development* 39(4): 633-647.

Mastromamarco, Camilla; Laura Serlenga and Yongcheol Shin (2013), "Globalisation and Technological Convergence in the EU", *Journal of Productivity Analysis* 40(1): 15-29.

Marin, Anabel and Subash Sasidharan (2010), "Heterogeneous MNC Subsidiaries and Technological Spillovers: Explaining Positive and Negative Effects in India", *Research Policy* 39(9): 1227-1241.

McGillivray, Mark (2003), "Commitment to Development Index: A Critical Appraisal" *Research Report* prepared for the Australian Agency for International Development (AusAid).

Menghinello, Stefano; Lisa de Propris and Nigel Driffield (2010), "Industrial Districts, Inward Foreign Investment and Regional Development", *Journal of Economic Geography* 10(4): 539-558.

Moran, Theodore H. (2012), "2012 Commitment to Development Index (CDI). Assessing Developed Country Efforts to Support Developing Country Growth Via Foreign Direct Investment: Explanation of the Scoring System for the Investment Component", *mimeo*, Center for Global Development.

Moran, Theodore H. (2011), "Foreign Direct Investment and Development". Launching a Second Generation of Policy Research, Peterson Institute for International Economics, Washington, DC.

Moran, Theodore H. (2005), "Rationale for Components of a Scoring System of Developed Country Support for International Investment Flows to Developing Countries", Center for Global Development in Europe, April.

Narula, Rajneesh and John H. Dunning (2010), "Multinaltional Enterprises, Development and Globalisation: Some clarifications and a Research Agenda", *Oxford Development Studies* 38(3): 263-287.

Ndikumana, Leonce and Sher Verick (2008), "The Linkages between FDI and Domestic Investment: Unravelling the Developmental Impact of Foreign Investment in Sub-Saharan Africa", *Development Policy Review* 26(6): 713-726.

Nicet-Chenaf, Dalila and Eric Rougier (2011), "New Exports Matter: Discoveries, Foreign Direct Investment and Growth, An Empirical Assessment for Middle East and North African Countries", *Journal of International Trade and Economic Development* 20(4): 507-533.

Nunnenkamp, Peter (2004), "To What Extent Can Foreign Direct Investment Help Achieve International Development Goals?", *World Economy* 27(5): 657-677.

Obwona, Marios B. (2001), "Determinants of FDI and their Impact on Economic Growth in Uganda", *African Development Review* 13(1): 46-81.

Olivié, Iliana (2005), "Las crisis de la globalización: marco teórico y estudio de los casos de México y Corea del Sur", Consejo Económico y Social, Madrid.

Olivié, Iliana and Aitor Pérez (2013), "Public Aid as a Driver for Private Investment", document prepared for the High-Level Symposium on *Development Cooperation in a Post-2015 Era: Sustainable Development for All*, United Nations Department on Economic and Social Affairs (UNDESA), Geneva, 23-25 October.

Ouyang, Puman and Shihe Fu (2012), "Economic Growth, Local Industrial Development and Inter-Regional Spillovers from Foreign Direct Investment: Evidence from China" *China Economic Review* 23(2): 445-460.

OECD (2011), “Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and Related Documents”, Organisation for Cooperation and Economic Development, Paris.

OECD (2013), “OECD.Stat, online database”, available at <http://stats.oecd.org/>

Padilla-Pérez, Ramón (2008), “A Regional Approach to Study Technology Transfer through Foreign Direct Investment: The Electronics Industry in Two Mexican Regions”, *Research Policy* 37(5): 849-860.

Paus, Eva A. and Kevin P. Gallagher (2008), “Missing Links: Foreign Investment and Industrial Development in Costa Rica and Mexico”, *Studies in Comparative International Development* 43(1): 53-80.

Picciotto, Robert (2005) "The Evaluation of Policy Coherence for Development", *Evaluation* 11(3): 311-330.

Reiter, Sandy L. and H. Kevin Steensma (2010), “Human Development and Foreign Direct Investment in Developing Countries. The Influence of FDI Policy and Corruption”, *World Development* 38(12): 1678-1691.

Ren, Li and Linlin Hao (2010), “Unit Roots, Co-integration and Granger Causality Test between FDI and Energy Efficiency in China”, *Proceedings of the 6th Euro-Asia Conference on Environment and CSR: Society and Tourism Management Session*, PT I :52-57.

Reuber, Grant L.; H. Crookell; M. Emerson and G. Gallais-Hamonno (1973), “Private Foreign Investment in Development”, Clarendon Press, Oxford.

Rodrik, Dani (2011), “The Globalization Paradox: Democracy and the Future of the World Economy”, Oxford University Press.

Rosell-Martínez, Jorge and Pedro Sánchez-Sellero (2012), “Foreign Direct Investment and Technical Progress in Spanish Manufacturing”, *Applied Economics* 44(19): 2473-2489.

Rosenstein-Rodan, Paul N. (1943), “Problems of Industrialisation of Eastern and South-Eastern Europe”, *The Economic Journal* 53(210/211): 202-211.

Sadik, Ali T. and Ali A. Bolbol (2001), “Capital Flows, FDI and Technology Spillovers: Evidence from Arab Countries”, *World Development* 29(12): 2111-2125.

Saggi, Kamal (2000), “Trade, Foreign Direct Investment and International Technology Transfer: A Survey”, *Policy Research Working Paper* 2349, World Bank, May.

Sawada, Yasuki; Hirohisa Kohama, Hisaki Kono and Munenobu Ikegami (2004) "Commitment to Development Index (CDI): Critical Comments", *Discussion Papers on Development Assistance* 1, Foundation for Advanced Studies on International Development (FASID).

Shen, Chung-Hua; Chien-Chiang Lee and Chi-Chuan Lee (2010), “What Makes International Capital Flows Promote Economic Growth? An International Cross-Country Analysis”, *Scottish Journal of Political Economy* 57(5): 515-546.

Singer, Hans W. (1950), “The Distribution of Gains between Investing and Borrowing Countries”, *The American Economic Review* 40(2): 473-485.

Stapleton, Lee M., and Guy D. Garrod (2007), "The Commitment to Development Index: An Information Theory Approach", Ecological Economics 66 (2008): 461-67.

Stiglitz, Joseph (2002), “Globalization and its Discontents”, W.W. Norton and Company.

Sunkel, Osvaldo (1972), "Big Business and 'Dependencia'. A Latin American View", *Foreign Affairs,* April.

Suvanto; Harry Bloch and Ruhul A. Salim (2012), "Foreign Direct Investment Spillovers and Productivity Growth in Indonesian Garment and Electronics Manufacturing", *Journal of Development Studies* 48(10): 1397-1411.

Takii, Sadayuki (2005), "Productivity Spillovers and Characteristics of Foreign Multinational Plants in Indonesian Manufacturing 1990-1995", *Journal of Development Economics* 76(2): 521-542.

Terutomo, Ozawa (1992), "Foreign Direct Investment and Economic Development", *Transnational Corporations* 1(1): 27-54.

Tsai, Pan-Long (1995), "Foreign Direct-Investment and Income Inequality – Further Evidence", *World Development* 23(3): 469-483.

UNCTAD (2012), "World Investment Report 2012: Towards a New Generation of Investment Policies", United Nations Conference for Trade and Development, Geneva.

UNCTAD (2013a), "UNCTAD.stat", available at < http://unctadstat.unctad.org/>

UNCTAD (2013b), "World Investment Report 2013: Global Value Chains: Investment and Trade for Development", United Nations Conference for Trade and Development, Geneva.

Wang, Miao (2010), "Foreign Direct Investment and Domestic Investment in the Host Country: Evidence from Panel Study", *Applied Economics* 42(29): 3711-3721.

Wang, Miao and M.C. Sunny Wong (2009), "Foreign Direct Investment and Economic Growth: The Growth Accounting Perspective" *Economic Enquiry*, 47(4): 701-710.

Wang, Miao and M.C. Sunny Wong (2012), "International R&D Transfer and Technical Efficiency: Evidence from Panel Study Using Stochastic Frontier Analysis", *World Development* 40(10): 1982-1998.

Wang, Yanking (2010), "FDI and Productivity Growth: The Role of Inter-Industry Linkages", *Canadian Journal of Economics – Revue Canadienne Économique* 43(4): 1243-1272.

World Bank (2013), "World Development Indicators", available at
< http://data.worldbank.org/data-catalog/world-development-indicators>

Yalta, A. Yasemin (2013), "Revisiting the FDI-led Growth Hypothesis: The Case of China", *Economic Modelling* 31: 335-343.

Zhan, James and Hafiz Mirza (2012), "Some Observations on Scholarly Research on FDI Impact on Development", *European Journal of Development Research* 24(1): 38-40.

Zhang, Kevin H. (2001), "Does Foreign Direct Investment Promote Economic Growth? Evidence from East Asia and Latin America", *Contemporary Economic Policy* 19(2): 175-185.

Zhang, Yan; Haiyang Li, Yu Li and Li-An Zhou (2010), "FDI Spillovers in an Emerging Market: The Role of Foreign Firms' Country Origin Diversity and Domestic Firms' Capacity", *Strategic Management Journal* 31(9): 969-989.

Zhao, Yong and Yingmei Zheng (2010), "Financial Development and the FDI-Growth Nexus in China: Evidence from Threshold Regression Models", *Statistic Application in Macroeconomy and Industry Sectors:* 532-540.